Grenville Strategic Royalty Corp (formerly Troon Ventures Ltd.)

Consolidated Financial Statements

For the Year Ended December 31, 2015

Grenville Strategic Royalty Corp. (formerly Troon Ventures Ltd)

GOODMAN
& ASSOCIATES LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Grenville Strategic Royalty Corp. (formally Troon Ventures Ltd.)

We have audited the accompanying consolidated financial statements of Grenville Strategic Royalty Corp. (formally Troon Ventures Ltd.), which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2015 and December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statements of financial position of Grenville Strategic Royalty Corp. (formally Troon Ventures Ltd.) as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2015 and December 31, 2014, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Goodman & Associates LLP

Toronto, Ontario
April 26, 2016

Chartered Accountants
Licensed Public Accountants

Grenville Strategic Royalty Corp. (formerly Troon Ventures Ltd)

Consolidated Statements of Financial Position

(Canadian dollars)

	Note		December 31, 2015		December 31, 2014
Assets					
Current Assets					
Cash and cash equivalents	10	$	16,897,331	$	9,748,841
Accrued interest and royalty payments receivable	11		-		491,060
GST receivable			-		267,705
Promissory note receivable – current portion	13		2,713,879		55,613
Royalty agreements acquired– current portion	13		1,264,541		104,689
Prepaid expense	12		70,885		80,997
Total Current Assets			**20,946,636**		**10,748,905**
Non-Current Assets					
Promissory note receivable – non-current	13		-		46,587
Property and equipment	14		152,211		112,839
Deferred tax asset	18		975,072		208,885
Royalty agreements acquired – non-current	13		42,470,936		24,076,869
Total Non-Current Assets			**43,598,219**		24,445,180
Total Assets		**$**	**64,544,855**	**$**	**35,194,085**
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities	15	$	882,181	$	279,546
Dividends payable	16		587,448		-
Finance lease liability	17		3,166		3,748
Income tax payable			1,548,438		80,384
Total Current Liabilities			**3,021,233**		**363,678**
Non-Current Liabilities					
Finance lease liability	17		10,626		12,599
Convertible debentures	19		15,595,237		15,282,675
Total Non-Current Liabilities			**15,605,863**		**15,295,274**
Shareholders' Equity (Note 20)					
Share capital		$	47,318,036	$	21,211,197
Warrants			618,068		1,030,233
Contributed surplus			417,567		301,488
Equity component of convertible debentures	19		558,831		558,831
Accumulated deficit			(2,994,743)		(3,566,616)
Total Shareholders' Equity			**45,917,759**		**19,535,133**
Total Liability and Shareholders' Equity		**$**	**64,544,855**	**$**	**35,194,085**

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on April 26, 2016.

"Steve Parry"
Steve Parry, Director

"Gaston Tano"
Gaston Tano, Director

Grenville Strategic Royalty Corp. (formerly Troon Ventures Ltd)

Consolidated Statements of Comprehensive Income (Loss)

(Canadian dollars)

	Note		Year ended December 31, 2015		Year ended December 31, 2014
Revenue					
Royalties agreements acquired	21	$	11,556,763	$	-
Promissory notes receivable	21		370,043		-
Interest income on loans			-		38,072
Royalty payment income			-		2,655,909
Other interest income / income	21&22		200,373		250,810
Total Revenues			**12,127,179**		**2,944,791**
Impairment Provision			-		1,000,000
Operating Expenses, net of foreign exchange gain	23		3,382,504		4,660,620
Operating Profit/(Loss)		**$**	**8,744,675**	**$**	**(2,715,829)**
Financing expense	19		1,692,562		798,058
Profit / (Loss) Before Income Taxes			**7,052,113**		**(3,513,887)**
Income Taxes					
Current income tax expense	18	$	2,138,125	$	99,613
Deferred tax (income)	18		(253,298)		(155,740)
Total Income Taxes			**1,884,827**		**(56,127)**
Profit / (Loss) and Total Comprehensive Income/ (Loss)		**$**	**5,167,286**	**$**	**(3,457,760)**
Earnings / (Loss) per share (Note 27)					
Basic earnings/(loss) per share		$	0.0578	$	(0.0700)
Diluted earnings/(loss) per share			0.0535		(0.0700)

See accompanying notes to financial statements.

Grenville Strategic Royalty Corp. (formerly Troon Ventures Ltd)

Consolidated Statements of Changes in Equity

(Canadian dollars)

	Number of shares	Note	Share capital	Warrants	Contributed surplus	Equity component of the convertible debenture	Accumulated deficit	Total
Balance, January 1, 2014	**28,046,338**		**3,075,032**	**-**	**-**	**-**	**(108,856)**	**2,966,176**
Common shares exchanged and issued on the RTO	11,223,518	**7&20**	8,762,122	-	-	-	-	8,762,122
Stock warrants issued as part of RTO	-	**7&20**	-	1,044,074	-	-	-	1,044,074
Share-based payment as part of consideration of the RTO	-	**7&20**	-	-	87,442	-	-	87,442
Share-based payment for services provided	-	**25**	-	-	214,046	-	-	214,046
Special warrants issued	-	**20**	-	10,000,000	-	-	-	10,000,000
Special warrants issue costs	-	**20**	-	(770,250)	-	-	-	(770,250)
Special warrants converted to common shares	20,000,000	**20**	9,229,750	(9,229,750)	-	-	-	-
Share issue cost	-	**20**	(178,314)	-	-	-	-	(178,314)
Stock warrants exercised	128,065	**20**	67,628	(13,841)	-	-	-	53,787
Stock options exercised	12,498	**20**	350	-	-	-	-	350
Convertible debenture issued	-	**19**	-	-	-	760,314	-	760,314
Deferred tax recognized	-	**18**	254,629	-	-	(201,483)	-	53,146
Comprehensive loss for the year	-		-	-	-	-	(3,457,760)	(3,457,760)
Balance, December 31, 2014	**59,410,419**		**$ 21,211,197**	**$ 1,030,233**	**$ 301,488**	**$ 558,831**	**$(3,566,616)**	**$ 19,535,133**
Balance, January 1, 2015	**59,410,419**		**$ 21,211,197**	**$ 1,030,233**	**$ 301,488**	**$ 558,831**	**$(3,566,616)**	**$ 19,535,133**
Impact of adopting IFRS 9	-	**4**	-	-	-	-	43,278	43,278
Restated Balance, January 1, 2015	**59,410,419**		**$ 21,211,197**	**$ 1,030,233**	**$ 301,488**	**$ 558,831**	**$(3,523,338)**	**$ 19,578,411**
Common shares issued	37,078,300	**20**	25,300,414	-	-	-	-	25,300,414
Share issue cost		**20**	(1,994,310)	-	-	-	-	(1,994,310)
Share warrants exercised	3,813,996	**20**	2,014,043	(412,165)	-	-	-	1,601,878
Stock options exercised	460,250	**20**	258,200	-	(95,675)	-	-	162,525
Share-based payment for services provided	-	**25**	-	-	211,754	-	-	211,754
Deferred tax recognized	-	**18**	528,492	-	-	-	-	528,492
Dividends paid and payable	-			-	-	-	(4,638,691)	(4,638,691)
Comprehensive income for the year	-		-	-	-	-	5,167,286	5,167,286
Balance, December 31, 2015	**100,762,965**		**$ 47,318,036**	**$ 618,068**	**$ 417,567**	**$ 558,831**	**$(2,994,743)**	**$ 45,917,759**

See accompanying notes to financial statements.

Grenville Strategic Royalty Corp. (formerly Troon Ventures Ltd)

Consolidated Statements of Cash Flows

(Canadian dollars)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
Profit/(Loss) before income taxes		$ 7,052,113	$ (3,513,887)
Share-based payments	25	211,754	2,865,362
Depreciation	14	25,769	3,721
Unrealized loss (gain) from change in fair value of royalty investments including foreign exchange differences	13	1,778,673	(699,600)
Impairment provision	13	-	1,000,000
Unrealized gain on royalty agreements acquired	22	-	(120,280)
Financing expense	19	1,692,562	798,058
Income tax paid		(670,098)	(17,989)
Royalty agreements acquired and promissory notes receivable – new investments	13	(32,541,055)	(22,722,168)
Royalty agreements acquired and promissory notes receivable – principal payments	13	10,592	133,787
Royalty agreements acquired and promissory notes receivable – loan and contract buyout repayments	13	9,919,970	-
Changes in working capital items	29	96,643	244,665
Net Cash flows used in Operating Activities		**(12,423,077)**	**(22,028,331)**
Cash flows from financing activity			
Issuance of common shares, net of costs	20	$ 23,306,104	$ 9,051,436
Exercise of share warrants and stock options	20	1,764,403	54,137
Finance lease (payments) / advance		(2,556)	16,347
Issuance of convertible debentures, net of costs	19	-	15,906,575
Debentures interest paid	19	(1,380,000)	(661,644)
Dividends paid		(4,051,243)	-
Cancellation of company shares prior to reverse takeover	7	-	(8,818)
Net Cash flows from Financing Activities		**19,636,708**	**24,358,033**
Cash flows from investing activity			
Purchase of property and equipment	14	**$** (65,141)	**$** (116,560)
Net increase in cash during the period		**7,148,490**	**2,213,142**
Cash acquired as part of reverse takeover		-	6,935,241
Foreign exchange movement in cash and cash equivalents		-	7,041
Cash and cash equivalents, beginning of period		9,748,841	593,417
Cash and cash equivalents, end of period	10	**$ 16,897,331**	**$ 9,748,841**

See accompanying notes to financial statements.

1. Corporate information

Grenville Strategic Royalty Corp., an Ontario predecessor to Grenville Company ("Grenville Ontario"), was incorporated on July 29, 2013. On February 19, 2014, Grenville Strategic Royalty Corp. amalgamated with 2399579 Ontario Inc. to form Grenville Ontario. As a result of the amalgamation, Grenville Ontario became a wholly-owned subsidiary of Troon Ventures Ltd., a British Columbia Company, which was then renamed Grenville Strategic Royalty Corp. ("Company"). The registered office of the Company is located at 1400 – 400 Burrard Street, Vancouver, British Columbia V6C 2T6.

The Company has one wholly owned subsidiary, Grenville Ontario. The Company buys royalty interests in the revenue generated by small and medium sized businesses operating across a wide range of industry sectors.

2. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash and cash equivalents, promissory notes receivable and royalty agreements acquired that have been measured at fair value. The Company has adopted IFRS 9 *Financial Instruments* (issued in July 2014) ("IFRS 9") with an initial application date of January 1, 2015. As permitted by the transitional provisions of IFRS 9, the Company has not restated the financial results or balances presented for the year ended December 31, 2014. This means that the information presented for the year ended December 31, 2014 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the year ended December 31, 2015 under IFRS 9. The impact of adopting IFRS 9 is included in Note 4. The functional and presentation currency is the Canadian dollar. Amounts are stated in and recorded to the nearest Canadian dollar except where otherwise indicated. The Company activities are managed and monitored by senior management as one operating and reportable segment.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Board of Directors on April 26, 2016.

3. Significant accounting judgements, estimates, and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

Royalty agreements acquired – applicable before January 1, 2015

The terms of the royalty agreements entered into by the Company provide that payments to be made by investee companies are fixed or determinable. In addition, each of the Company's royalty agreements contains one or more of the following terms: (i) a right in favour of the investee company to buydown or buyout part or all of the Company's royalty in exchange for a principal payment that, when combined with royalty payments made to the date of the buydown or buyout, exceed the value of the Company's initial investment; and (ii) the payment of a minimum monthly royalty payment by the investee company, which provides the Company with certainty of payment over time. As a result, the Company has concluded that it is highly probable (which it defines as a probability equal to or exceeding 75%) that it will collect greater than 85% of its initial investment under each royalty agreement.

For the royalty agreements acquired, the term of the agreement is normally perpetual and the royalty amount received can be dependent on the revenues of the investee. The term of the royalty agreement can also be influenced by the termination of the royalty agreement subsequent to a contract buyout event. As a result, uncertainties exist as to how long the agreements will exist and the royalty payment income that will be received. In order to determine the effective interest rate that will apply for the entire term of the agreements, the Company must estimate the expected cash flows based on the Company's experience of such investments and the investee's historical cash flows. The Company is focused on building a portfolio of investee companies that have carried on business for a number of years and have a demonstrable history of revenues. This enables the Company to use historical revenues as the starting bases for estimating expected cash flows from an investment. Those royalty agreements that contain a provision requiring an investee company to make a minimum monthly royalty payment provide the Company with a strong indication of what expected cash flows under the royalty agreement should be over time. In addition to historical revenues of investee companies, the Company also considers other factors, such as external market factors, future performance and industry performance, in estimating expected cash flows from an investment. At the end of each quarter, the Company will review the estimated cash flows to see if they need to be revised based on the actual level of cash flows received.

Royalty agreements acquired and promissory notes receivable and measurement of fair values– applicable from January 1, 2015

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. The Company has established a control framework with respect to the measurement of fair values. This includes that all significant fair value measurements have been reviewed and approved by the Investment Committee of the Company. The Investment Committee reviews on a quarterly basis significant unobservable inputs and valuation adjustments used in the fair value measurement of royalty agreements acquired and promissory notes. Fair values are categorized into different levels of a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Further information about the assumptions made in measuring fair values for financial instruments are included in Note 5(E), 8 and 13.

Fair value of stock options and warrants

Determining the fair value of stock options and warrants requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

Income taxes

The recognition of deferred income tax assets and liabilities requires estimates and significant judgments about future events such as future taxable profits based on the information available at the reporting date. For each reporting period the income tax and deferred tax provision reflects our best estimate based on the information available at the reporting date. To the extent that our estimate of tax provisions or the realization of deferred tax assets or liabilities are not as expected, the provision for income taxes may increase or decrease in the future to reflect the actual experience.

4. Change in accounting policy

Financial instruments

The Company early adopted IFRS 9 with a date of initial application of January 1, 2015. The adoption of IFRS 9 replaces the Company's previous application of IAS 39 Financial Instruments: Recognition and Measurement. The Company has classified all of its financial assets as subsequently measured either at fair value through profit or loss or amortized cost. This classification was determined by the Company by reference to the business model objective to manage the financial assets and the cash flow characteristics of the assets.

As permitted by the transitional provisions of IFRS 9, the Company has not restated the financial results or balances presented for the year ended December 31, 2014. This means that the information presented for the year ended December 31, 2014 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the year ended December 31, 2015 under IFRS 9.

The adoption has resulted in royalty agreements acquired, loans receivable and accrued interest and royalty payments receivables being classified and subsequently measured at fair value through profit or loss rather than amortized cost. This change in classification primarily reflects the characteristics of the cash flows generated by these financial assets which are not solely made up of principal and interest. The impact of the change in classification of the royalty agreements acquired and loans receivable to fair value through profit and loss was to increase the carrying amount at January 1, 2015 by $41,555 ($30,543 net of tax), with the difference reflected in retained earnings.

The adoption of IFRS 9 did not impact the classification or subsequent measurement of the Company's financial liabilities as of January 1, 2015 other than for accounts payable where $17,327 ($12,735 net of tax) was recognized in retained earnings as the balance related to income earned which was deferred over the life of the asset when measured using the effective interest rate. Under IFRS 9, all financial liabilities continue to be measured at amortized cost and presented under the same financial captions on January 1, 2015 as at December 31, 2014.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The "expected credit loss" model does not apply to financial assets measured at fair value through profit or loss. Under IAS 39 loans receivable, royalty agreements acquired, loans receivable and accrued interest and royalty payments receivables were classified as "loan and receivable" and subject to the impairment principles under IAS 39. Accordingly, the classification of these financial assets under IFRS 9, as subsequently measured at fair value through profit or loss, means that the "expected credit loss" model does not apply. The Company's expectation is that the "expected credit loss" model will only apply to any financial assets that are financial commitments and financial guarantee contracts which as at December 31, 2015 the Company does not have significant exposure to such type of contracts.

There are new requirements under IFRS 9 for hedge accounting. The Company does not apply hedge accounting principles and as a result the adoption of IFRS 9 does not have any impact.

The following table shows the quantitative impact of the changes in classification and measurement of financial assets on January 1, 2015, the Company's initial date of application of IFRS 9:

In Canadian dollars, for the year ended December 31, 2015

		Original measurement classification and carrying amount under IAS 39				**New measurement classification and carrying amount under IFRS 9**
	Note	**Fair value through profit and loss**	**Loan and receivable**	**Reclassification based on application of IFRS 9**	**Remeasurement based on application of IFRS 9 and reflected in opening retained earnings**	**Fair value through profit and loss**
Cash and cash equivalents	10	$ 9,748,841	$ -	$ -	$ -	$ 9,748,841
Accrued interest and royalty payments receivable	11	-	491,060	(491,060)	-	-
Loan receivable	13	-	102,200	(102,200)	-	-
Promissory notes receivable	13	-	-	102,200	-	102,200
Royalty agreements acquired	13	-	24,181,558	491,060	41,555	24,714,173

A summary of the amount recognized in retained earnings as at January 1, 2015 resulting from the change in accounting policy is as follows:

Remeasurement of royalty agreements acquired	$ 41,555
Reclassification of deferred income included under accounts payable	17,327
Adjustment before taxes	58,882
Taxes at 26.5%	(15,604)
Adjustment to retained earnings as at January 1, 2015	**$ 43,278**

5. Summary of significant accounting policies

(A) Basis of consolidation

The financial statements of all entities controlled by the Company are included in the consolidated financial statements from the date control commenced. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company's subsidiary has the same reporting date and functional currency as the Company. Intra-group balances and transactions are eliminated on consolidation.

(B) Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the foreign currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the statement of comprehensive income and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(C) Revenue recognition

Interest Income and Royalty Payment Income – policy applicable before January 1, 2015

Royalty agreements acquired and loan receivables are recognized as financial assets and are classified as Loans and Receivables in accordance with IAS 39. Royalty payment income and interest income are determined using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the income over the life of the asset. The effective interest rate is the rate that exactly discounts estimated future cash flows to the initial carrying amount.

Revenue from royalty agreements acquired and promissory notes receivable

i) Royalty payment income and interest income on promissory notes receivable – policy applicable from January 1, 2015

Royalty payment income and income on promissory note receivable are recognized in the statement of comprehensive income when earned.

ii) Change in fair value of royalty agreements acquired and promissory notes receivable – policy applicable from January 1, 2015

The change in the fair value of a royalty agreement acquired is recognized in the statement of comprehensive income in Revenue royalty agreements acquired and promissory notes receivable. The change in the fair value consists of gains or losses both realized and unrealized in the fair value of the investment as well as foreign exchange gains or losses on investments denominated in US dollars.

Other Income – policy applicable before January 1, 2015

Other income includes interest income earned on short term money market investments, the unrealized gain or loss resulting from the adjustment to the amortized cost of royalty agreements acquired when the estimated cash flows are revised and gains realized when a buyout option is exercised under a royalty agreement. Other income is accrued in the statement of comprehensive income when earned.

Other interest Income – policy applicable from January 1, 2015

Other interest income includes interest income earned on short term money market investments. Other income is accrued in the statement of comprehensive income when earned and is presented in Revenue, Other interest Income.

(D) Taxes

Current income tax

Current income tax assets and liabilities for the respective period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of any deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

(E) Financial instruments

(i) Financial assets

Initial recognition and measurement - policy applicable before January 1, 2015

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and cash equivalents, accrued interest and royalty payments receivable, loan receivable and royalty agreements acquired.

Initial recognition and measurement - policy applicable from January 1, 2015

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit or loss. A financial asset is measured at amortised cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss. As of December 31, 2015 no financial assets have been designated as fair value through profit or loss.

For promissory notes receivable and royalty agreements acquired the Company has determined that these assets must be classified as financial assets measured at fair value through profit or loss as the contractual terms of the agreements do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company also classifies cash and cash equivalents as fair value through profit and loss.

Subsequent measurement – policy applicable before January 1, 2015

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, any embedded derivatives and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income and loss. Cash and cash equivalents are carried within these categories.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the statement of comprehensive income and loss. When the original cash flows have been revised the resulting adjustment to the amortized cost is reflected as either income or expense in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income and loss. Royalty agreements acquired, loan receivable and accrued interest and royalty payments receivable are carried within this category.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the statement of comprehensive loss. The losses arising from impairment are recognized in the statement of comprehensive income. The Company did not have any held-to-maturity investments during the period ended December 31, 2014.

Available-for-sale financial investments

Financial assets investments classified as available-for-sale are those which are neither classified in any other category. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the statement of comprehensive loss and removed from the available-for-sale reserve.

The Company did not have any available-for-sale financial investments during the period ended, December 31, 2014.

Subsequent measurement – policy applicable from January 1, 2015

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, including any interest income or royalty payment income recognized in the statement of comprehensive income and loss. Cash and cash equivalents, promissory note receivables and royalty agreements acquired are classified within these categories.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

There are no financial assets classified as measured as amortized cost.

(ii) Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iii) Impairment of financial assets carried at amortized cost - policy applicable before January 1, 2015

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that an investee or a group of investees is experiencing significant financial difficulty, default, or delinquency in royalty, interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss had incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit that have not yet been incurred and this loss is recorded in the statement of comprehensive income and loss.

(iv) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are accounts payable and accrued liabilities which are recognized on an amortized cost basis and convertible debentures which are accounted for in accordance with Note 5(J).

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

(vi) Fair value of financial instruments

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Typically fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques such as discounted cash flow analysis and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies and assumptions by type of asset is included in Note 8.

(vii) Transaction costs

Transaction costs for financial instruments classified as fair value through profit and loss are recognized as an expense in professional fees, in the period they were incurred. For all financial instruments measured at amortized cost, the transaction costs are included in the initial measurement of the financial asset or financial liability and are amortized using the effective interest rate method over a period that corresponds with the term of the financial instruments.

(viii) Embedded derivatives– policy applicable before January 1, 2015

IAS 39 requires that under certain conditions, an embedded derivative be separated from its host contract and accounted for as a derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

(ix) Embedded derivatives– policy applicable from January 1, 2015

IFRS 9 requires for financial liabilities measured at amortized cost that under certain conditions, an embedded derivative be separated from its host contract and accounted for as a derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Under IFRS 9 for financial assets any embedded derivative does not need to be separated from its host contract.

(F) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

The Company uses the indirect method of reporting cash flow from operating activities.

(G) Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the statement of comprehensive income or loss.

(H) Earnings per share

Basic loss per share is calculated by dividing the income or loss for the period by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating the dilutive effect of the outstanding stock options and other dilutive securities. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options are used to repurchase common shares at the average market price during the period.

(I) Share-based payment

The Company has a share-based compensation plan. The Company accounts for share-based compensation options granted to employees and consultants using the fair value method. Under this method, compensation expense for share-based compensation granted is measured at the fair value at the grant date, using a Black-Scholes option valuation model. In accordance with the fair value method, the Company recognizes estimated compensation expense related to share-based compensation over the vesting period of the options granted, with the related credit being charged to contributed surplus. Consideration paid by employees on the exercise of share-based compensation is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

(J) Convertible debentures

Convertible debentures are separated into their financial liability and equity components at the initial date of recognition. The fair value of the liability component at the time of issue is determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component was determined as the difference between the fair value of the instrument as a whole and the fair value of the liability component. The convertible debenture is subsequently measured at amortized cost using the effective interest rate method.

(K) Property and equipment

Property and equipment are measured at cost less accumulated depreciation. Depreciation is calculated to expense the cost of the property and equipment items over their estimated useful lives using the straight-line method. Items relating to leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives of property and equipment are as follows:

Leasehold improvements	3 years
Furniture	5 years
Office equipment	3-5 years

The estimated useful life of the asset is reviewed at the end of each reporting date and adjusted if appropriate.

(L) Leases

Assets held by the Company under leases that transfer to the Company substantially all of the risk and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments and are accounted for subsequently in accordance with the property and equipment policy. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability so as to produce a constant periodic finance expense on the remaining balance of the liability.

All leases other than finance leases are classified as operating leases and are not recognized on the Company's statement of financial position.

(M) Share warrants

The share warrants were issued as part of the RTO **(Note 7**) and were initially measured at fair value using a Black Scholes model. When the share warrants are exercised, the fair value attributable to the warrants exercised are added to the proceeds received and shown under share capital.

6. Standards issued but not yet effective

At the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments, and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have a material impact on the Company's financial statements.

The IASB has and will issue a collection of amendments as part of its annual project "Improvements to IFRSs". The amendments address details of the recognition, measurement, and disclosure of business transactions and serve to standardize terminology. They consist mainly of editorial changes to existing standards. Except as otherwise specified, the amendments, which have not yet been endorsed, are to be applied for annual periods beginning on or after January 1, 2017. They will not have a material impact on the presentation of the Company's financial position or results of operations.

In Canadian dollars, for the year ended December 31, 2015

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which addresses the recognition of revenue. The new standard is not expected to be in scope as the Company revenues are generated solely from financial instruments.

In January 2016, the IASB issued IFRS 16 *Leases*, which addresses the accounting, classification and measurement for all types of leases for both lessors and lesees. The application date of the new standard is January 1, 2019 and early adoption is possible. The Company has commenced the assessment of the impact of the new standard on the Company's lease agreements.

7. Reverse take-over

The reverse take-over (RTO) was completed on February 19, 2014 between Grenville Ontario and Troon Ventures Ltd on the following basis:

- the Company shareholders received 0.69 of a common share of the Company and 0.34 of a transferable share purchase warrant ("Share Warrant") for each common share that they owned. Each Share Warrant is convertible into one common share at an exercise price of $0.42 within two years of the completion of the RTO;
- the 880,000 outstanding stock options of the Company were replaced for new stock options based on an exchange ratio of 0.69. Each option holder also received an additional stock option exercisable for a period of two years at an exercise price of $0.42 per common share reflecting similar terms being offered by the Share Warrant;
- Grenville Ontario shareholders received one common share of the Company in consideration for each common share of Grenville Ontario held by them;
- the 357,143 stock options outstanding in Grenville Ontario at a price of $0.028 per share were exchanged for stock options of the Company at the same price and on the same terms;
- upon completion of the RTO there were 39,269,856 common shares issued and outstanding of which 19,321,106 were held by the previous holders of the Company's common shares. All 9,660,538 Share warrants were held by previous holders of the Company's common shares; and
- the Company changed its name from Troon Ventures Ltd to Grenville Strategic Royalty Corp. and now trades on the TSX Venture Exchange under the symbol "GRC".

In accordance with the guidance under *IFRS 3 Business Combinations,* the substance of the transaction is a reverse take-over of a non-operating entity. The Company's activities prior to the RTO were limited to the management of cash resources and the maintenance of its listing and accordingly the transaction did not constitute a business combination. As the Company has granted equity instruments the transaction was considered a capital transaction, with Grenville Ontario identified as the accounting acquirer and the equity consideration measured at fair value in accordance with the guidance under *IFRS 3 Business Combinations*. As Grenville Ontario obtained control, the Company's consolidated financial statements are a continuation of Grenville Ontario's financial statements and the difference between the fair value of the consideration and the net identifiable assets are recognized as a RTO transaction expense in the statement of comprehensive loss under share-based payments.

Based on the statement of financial position of the Company at the time of the RTO, the net assets at fair value were $7,251,140 made up as follows:

Cash and cash equivalents	$	6,935,241
Other assets		395,182
Accounts payable and accrued expenses		(79,283)
Total	**$**	**7,251,140**

The fair value of the consideration and the RTO transaction expense recognized in comprehensive income (loss) was calculated as follows:

Fair value of 19,321,106 common shares included in the exchange on February 19, 2014	$	8,762,122
Fair value of 9,660,538 warrants issued on February 19, 2014 (**Note 20**)		1,044,074
Fair value of 910,146 replacement stock options vested on February 19, 2014		87,442
Amount paid to cancel shares of the Company prior to RTO		8,818
Total	**$**	**9,902,456**
Identifiable assets acquired (see above)		7,251,140
RTO transaction expense (Note 25)	**$**	**2,651,316**

Included under professional fees for the year ended December 31, 2014 was $584,881 of costs directly related to the RTO.

8. Fair values

a) Valuation Technique

The Company uses valuation techniques with the objective of determining a fair value measurement that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In Canadian dollars, for the year ended December 31, 2015

The fair value of the royalty agreements acquired and promissory notes receivable by the Company are determined using discounted cash flow models with fair value estimated by applying a discount rate based on a weighted average cost of capital using variables from the industry in which each investee company operates as well as company specific variables. Future cash flows are weighted by the Company using a combination of a probability approach and a terminal value approach, as applicable, and the fair value for each investment is individually calculated. Some or all of the inputs used in the cash flow model may not be observable in the market and are generally derived from published sources that are commonly used by market participants.

As a result of the significant use of unobservable inputs a high degree of management judgement and estimation is required. Management judgement is required for the determination of the expected future cash flows on the financial instrument being measured, determination of the probability of the outcomes, adjustments to the discount rate for liquidity risk, model uncertainties and investee-specific risk factors. The extent of the adjustments to the discount rate is based on management's assessment that a third party market participant would take them into account in pricing the transaction.

b) Fair value hierarchy – financial assets measured at fair value

Prior to January 1, 2015, the only financial instruments measured at fair value were cash and cash equivalents. From January 1, 2015 all financial assets are measured at fair value. All financial liabilities are measured at amortized cost prior to January 1, 2015 and from January 1, 2015.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The financial assets measured at fair value by hierarchy are shown in the table below. The amounts shown are based on the amounts recognized in the statement of financial position. All financial assets are classified as financial assets measured at fair value through profit and loss.

	Total	Level 1	Level 2	Level 3
December 31, 2015				
Cash and cash equivalents	$ 16,897,331	$ 16,897,331	$ -	$ -
Royalty agreements acquired	43,735,477			43,735,477
Promissory notes receivable	2,713,879			2,713,879
	$ 63,346,687	$ 16,897,331	$ -	$ 46,449,356
December 31, 2014				
Cash and cash equivalents	$ 9,748,841	$ 9,748,841	-	-

There were no transfers between Level 1, Level 2 and Level 3 during both the year ended December 31, 2015 and December 31, 2014.

The following table shows a reconciliation between the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	Balance at January 1, 2015	Total gains and (losses) recognized in profit or loss	Purchases	Sales	Maturities and repayment	Transfers in/(out) of Level 3	Balance at December 31, 2015
Royalty agreements acquired	$ 24,223,113	$ (1,896,596)	$ 28,775,570	$ (8,759,594)	$ 1,392,984	-	$ 43,735,477
Promissory notes receivable	102,200	117,922	3,765,485	-	(1,271,728)	-	2,713,879
Total	**$ 24,325,313**	**$ (1,778,674)**	**$ 32,541,055**	**$ (8,759,594)**	**$ 121,256**	**-**	**$ 46,449,356**

The valuation technique used to determine the fair value of all Level 3 financial assets is a discounted cash flow model. The most significant unobservable inputs used in the valuation are the discount rate (range is between 14.3%-25.8%), growth rate of the revenues of the investee (range is between no growth and 20%) and the liquidity premium (range is between 3.4%-15.1%). The low and high input values represent the actual highest and lowest level of values used over the portfolio and represent the range on an individual investment basis. The input ranges will therefore vary from period to period based on the characteristic of the underlying investment at each statement of financial position date.

c) Sensitivity of fair value measurement to changes in unobservable inputs

For fair value measurements in Level 3, changing the most significant unobservable inputs by 1% would have the following impact on the fair value of the Level 3 financial assets as at December 31, 2015 as follows:

Discount rate	Revenue growth rate	Liquidity premium
$ 1,572,249	$ 482,480	$ 22,770

d) Financial liabilities not measured at fair value

All financial liabilities are measured at amortized cost. In the table below is a comparison of the carrying amount and the fair value of the financial liabilities that are recognized in the statement of financial position:

	Carrying Amount December 31, 2015	Fair Value December 31, 2015	Carrying Amount December 31, 2014	Fair Value December 31, 2014
Financial liabilities				
Accounts payable and accrued liabilities	$ 882,181	$ 882,181	$ 279,546	$ 279,546
Convertible debentures	15,595,237	15,373,594	15,282,675	16,145,072
Total Financial Liabilities	**$ 16,477,418**	**$ 16,255,775**	**$ 15,562,221**	**$ 16,424,618**

The following methods and assumptions were used to estimate the fair values:

- Accounts payable and accrued liabilities, approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of the convertible debentures is based on valuation techniques taking into account trading values, market rates of interest, the current conditions in credit markets and the current estimated credit margins applicable to the Company based on similar issues currently listed.

e) Financial assets not measured at fair value – applicable before January 1, 2015

Set out below is a comparison by class of financial asset, the carrying amount and fair value of the Company's financial assets that are not measured at fair value as at December 31, 2014;

	Carrying Amounts December 31, 2014	Fair Value December 31,2014
Financial assets		
Accrued interest and royalty payment receivable	$ 491,060	$ 491,060
Royalty agreements acquired – current portion	104,689	104,689
Royalty agreements acquired – long term	24,076,869	24,118,424
Loan receivable – current portion	55,613	55,613
Loan receivable – long term	46,587	46,587
Total Financial Assets	**$ 24,774,818**	**$ 24,816,373**

The following methods and assumptions were used to estimate the fair values:

- Receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of the royalty agreements acquired and loan receivable are estimated by the Company by discounting future cash flows using a discount rate based on a weighted average cost of capital using variables from the industry in which each investee company operates. Future cash flows are weighted by the Company by using a combination of a probability approach and a terminal value approach, and the fair value for each investment is individually calculated.

9. Financial risk management objectives and policies

The Company's primary risk management objective is to protect the Company's assets and cash flow. The Company is exposed to market risk including interest rate, credit, foreign exchange and liquidity risks. The Company's management team oversees the management of these risks. It is the Company's policy that no trading for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees to policies for managing each of these risks, which are summarized below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk. The Company is not directly subject to commodity price risk and has limited exposure to equity price risk.

Interest rate risk

The Company invests surplus cash in bank deposits which, due to their short term nature, do not expose the Company to any material interest rate risks. For royalty agreements acquired and promissory notes receivable, the income can vary on a monthly basis and is not a function of an underlying interest rate. The Company has no material interest rate exposure.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Starting in 2014, the Company has foreign currency exposures to receivables in United States dollars. The transaction exposure will be minimized by converting all foreign currency to Canadian dollars immediately. The Company continually monitors its translation exposure and its related impact on reported results. The foreign exchange exposure at December 31, 2015 was 25,661,837 (2014: 12,278,755) United States dollars and a 1% movement in the exchange rate has an impact of $256,618 (2014: $122,788) on the Company's results.

In Canadian dollars, for the year ended December 31, 2015

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company enters into royalty arrangements with investees in which a purchase price is advanced in return for participation in the investees' revenue stream. This can take the form of a royalty or promissory note, without limitation. The carrying amount of cash, royalty agreements acquired and promissory note receivable represents the maximum exposure to credit risk. The maximum exposure at December 31, 2015 was $63,346,687 (December 31, 2014: $34,523,560). The cash is held by a Canadian bank which is rated A+ and the cash is invested in short term liquid investments.

In monitoring credit risk, the Company considers industry, sales volume and aging trends, maturity, and other relevant factors. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. More detail is provided under **Notes 13 b) and 13 d).**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis and by continuously reviewing both actual and forecasted cash flows to ensure that the Company has appropriate capital capacity and liquidity.

The following table summarizes the amount of contractual undiscounted future cash flow requirements including all financial instruments as at December 31, 2015 and December 31, 2014 respectively:

Contractual obligations	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Accounts payable and accrued liabilities	$ 882,181	$ -	$ -	$ -	$ -	$ 882,181
Dividend payable	587,448	-	-	-	-	587,448
Finance lease liability	3,166	3,189	3,530	3,907		13,792
Convertible debenture	-	-	-	17,250,000		17,250,000
Total	$ 1,472,795	$ 3,189	$ 3,530	$17,253,907	$ -	$ 18,733,421

Contractual obligations	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Accounts payable and accrued liabilities	$ 279,546	$ -	$ -	$ -	$ -	$ $279,546
Finance lease liability	3,748	2,905	3,216	3,560	2,918	16,347
Convertible debenture	-	-	-	-	17,250,000	17,250,000
Total	$ 283,294	$ 2,905	$ 3,216	$ 3,216	$17,252,918	$ 17,545,893

Capital management

The Company manages its capital with the primary objective of safeguarding it while providing sufficient working capital to sustain day-to-day operations. During the year, the Company raised additional capital of $25,300,414 through the issue of 37,078,300 common shares and $1,764,403 from issuing 4,274,246 common shares through the exercise of share warrants and stock options.

The Company will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business. The capital requirements for the Company is not subject to any external regulatory guidelines.

10. Cash and cash equivalents

	December 31, 2015	**December 31, 2014**
Cash held in bank accounts	$ 956,359	$ 1,005,399
Guaranteed investment certificates cashable at any time	15,940,972	8,743,442
	$ 16,897,331	**$ 9,748,841**

Included in the guaranteed investment certificates was $210,000 (2014: $42,000) that was held as collateral for security purposes.

11. Accrued interest and royalty payments receivable

Classification applicable before January 1, 2015

	December 31, 2014
Interest receivable	$ 4,057
Royalty payments receivable	487,003
Total	**$ 491,060**

In Canadian dollars, for the year ended December 31, 2015

From January 1, 2015 interest receivable and royalty payment receivable are classified as part of the current portion of the royalty agreements acquired and the promissory note receivable **(Note 13**).

12. Prepaid expenses

	December 31, 2015	December 31, 2014
Prepaid insurance, rent deposit and other prepaid expenses	$ 70,885	$ 80,997

13. Royalty agreements acquired and promissory notes receivable

a) Classification applicable from January 1, 2015

Financial assets measured at fair value through profit and loss

Royalty agreements acquired	**December 31, 2015**
Due within 1 year	$ 1,264,541
Due after more than 1 year	42,470,936
Total	**$ 43,735,477**

The term of the typical royalty agreement is normally perpetual and in certain cases the investee has a buyout and buydown option.

For one of the royalty agreements where the total investment was $1,500,000, the Company has in place a General and Security Agreement which provides first security on the operating equipment of the investee, the fair value of which was at least $850,000. For another investment for $910,000, the Company has provided a 100% cash backed financial guarantee of up to $150,000 to the investee's banker.

Promissory notes receivable at fair value	**December 31, 2015**
Due within 1 year	$ 2,713,879
Due after more than 1 year	-
Total	**$ 2,713,879**
Total carrying amount of royalty agreements acquired and promissory notes receivable	**$ 46,449,356**

b) Classification applicable before January 1, 2015

Loan and Receivable

Royalty agreements acquired	**December 31, 2014**
Due within 1 year	$ 104,689
Due after more than 1 year	24,076,869
Total	**$ 24,181,558**

The balance represents the amortized cost at the reporting date of all the agreements. The term of the agreement is normally perpetual and in certain cases the investee has a buyout and buydown option.

Loans receivable	**December 31, 2014**
Due within 1 year	$ 55,613
Due after more than 1 year	46,587
Total	**$ 102,200**
Total carrying amount of royalty agreements acquired and loans receivable	**$ 24,283,758**

Included in the amounts presented as at December 31, 2014 was an impairment allowance of $1,000,000. The impairment allowance was determined based on the investments classified as doubtful and the amounts of the investment that the Company determined would not be recovered. A reconciliation of changes in the impairment allowance account was as follows:

	Year ended December 31, 2014
Starting balance	**$ -**
Increase in allowance during the year	1,000,000
Reduction in allowance during the year	-
Ending balance	**$ 1,000,000**

In Canadian dollars, for the year ended December 31, 2015

Throughout 2014, the Company carried out a credit quality review of the portfolio of royalty agreements acquired and loan receivable balance. The review considers delinquency trends, sales volumes and the investee's ability to maintain its financial condition. The quality review is monitored based on our internal risk ratings. The descriptions of the internal risk ratings used and the carrying amounts in each category were:

Satisfactory means that the investment is fully recoverable even if there is some deficiency or vulnerability to changing economic conditions.

Special mention means that investment has potential weaknesses that deserve close attention by the management of the investee. If left uncorrected, these potential weaknesses may result in deterioration of the recovery of the investment at some future date. Special Mention investments do not expose the Company to sufficient risk to warrant classification as substandard or doubtful or require any impairment provision.

Substandard is characterized by the distinct possibility that the Company will sustain some loss on the investment if the financial deficiencies identified are not corrected. Substandard investments do not mean that impairment is imminent or that an impairment loss will be incurred by the Company. In most cases the Company will assist the investee in correcting the financial deficiencies either by providing financial support and/or assisting the investee in obtaining finance from another party.

Doubtful contains the features of "substandard" with the added characteristic that the financial deficiencies are significant enough to create some uncertainty as to the full recovery of the investment value. In most cases the Company will assist the investee in correcting the financial deficiencies either by providing financial support and/or assisting the investee in obtaining finance from another party. Doubtful normally includes investments that have an impairment provision if the expected recovery is below the carrying value of the investment.

Loss does not mean that the investment has absolutely no recovery value, but rather it is not practical nor desirable to defer writing off this investment or continue efforts to recover more of the value of the investment.

		December 31, 2014	%
Satisfactory	$	22,161,505	87.6
Special Mention		383,400	1.5
Substandard		1,738,853	6.9
Doubtful		1,000,000	4.0
Loss		-	-
Total portfolio value	**$**	**25,283,758**	100
Impairment provision		(1,000,000)	-
Carrying amount recognized in the statements of financial position	**$**	**24,283,758**	100

The following shows the past due analysis as at December 31, 2014:

		December 31, 2014	%
Not past due	$	22,544,905	89.2
Past due			
- 30 days or less		1,738,853	6.8
- 30 to 60 days		-	-
- 61 to 90 days		-	-
Impaired		1,000,000	4.0
Total portfolio value	**$**	**25,283,758**	100
Impairment provision		(1,000,000)	-
Carrying amount recognized in the statements of financial position	**$**	**24,283,758**	100

In Canadian dollars, for the year ended December 31, 2015

c) Movement during the period

The changes in the carrying amount in royalty agreements acquired, promissory notes receivable and loan receivable during the reporting periods were:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Royalty agreement acquired	Promissory notes receivable	Royalty agreement acquired	Loans receivable
Starting balance	**$ 24,181,558**	**$ 102,200**	**$ 1,673,763**	**$ 216,406**
Impact of adopting IFRS 9 (**Note 4**)	41,555	-	-	-
Restated starting balance	**24,223,113**	**102,200**	**1,673,763**	**216,406**
New agreements acquired during the period	28,775,570	3,765,485	22,722,168	-
Principal payments	100,760	(111,352)	(19,581)	(114,206)
Redemption and contract buyout repayments	(8,759,594)	(1,160,376)	-	-
Royalty earned but payment not yet received, net	1,292,226	-	-	-
Interest earned added to the balance	-	-	-	-
Foreign exchange movements during the year	2,919,725	69,388	684,928	-
Change in fair value during the year	(4,816,323)	48,534	-	-
Increase in impairment allowance	-	-	(1,000,000)	-
Adjustment to carrying amount for change in estimated cash flows **(Note 22)**	-	-	120,280	-
Ending balance	**$ 43,735,477**	**$ 2,713,879**	**$ 24,181,558**	**$ 102,200**

d) Concentration

Concentrations of credit risk arise from exposures to a single investee and groups of investees who have similar credit characteristics such as groups in the same economic and geographical regions. Concentration risk is managed by appropriately diversifying the portfolio through the use of concentration limits. There are limits set for individual investee exposure, geographical exposure and economic factors (cyclical, neutral and defensive).

The carrying amount for the royalty agreements acquired and promissory note receivable in each category by geographic location and economic factor were:

i) Geographic

	December 31, 2015	%	December 31, 2014	%
Canada	$ 15,125,000	31.5	$ 11,935,760	47.2
United States of America	32,891,135	68.5	13,347,998	52.8
Total portfolio value	**$ 48,016,135**	100	**$ 25,283,758**	100
Royalty agreements acquired – due within one year not included	1,264,541	-	-	-
Cumulative change in foreign exchange	2,352,268	-	-	-
Cumulative change in fair value	(4,534,945)	-	-	-
Promissory note redemptions since inception	(648,643)	-	-	-
Impairment provision	-	-	(1,000,000)	-
Carrying amount recognized in the statements of financial position	**$ 46,449,356**	100	**$ 24,283,758**	100

ii) Economic

	December 31, 2015	%	December 31, 2014	%
Cyclical	$ 16,954,300	35.3	$ 4,327,657	17.1
Neutral	17,877,765	37.2	9,400,874	37.2
Defensive	13,184,070	27.5	11,555,227	45.7
Total portfolio value	**$ 48,016,135**	100	**$ 25,283,758**	100
Royalty agreements acquired – due within one year not included	1,264,541	-	-	-
Cumulative change in foreign exchange	2,352,268	-	-	-
Cumulative change in fair value	(4,534,945)	-	-	-
Promissory note redemptions since inception	(648,643)	-	-	-
Impairment provision	-		(1,000,000)	
Carrying amount recognized in the statements of financial position	**$ 46,449,356**	100	**$ 24,283,758**	100

In Canadian dollars, for the year ended December 31, 2015

14. Property and equipment

	Office equipment & furniture	Leasehold improvements	Total
Cost			
Balance at December 31 2014	$ 110,774	$ 5,786	$ 116,560
Additions	65,141	-	65,141
Disposals	-	-	-
Balance at December 31 2015	**$ 175,915**	**$ 5,786**	**$ 181,701**
Accumulated depreciation			
Balance at December 31 2014	$ 3,560	$ 161	$ 3,721
Change in year	23,840	1,929	25,769
Disposals	-	-	-
Balance at December 31 2015	**$ 27,400**	**$ 2,090**	**$ 29,490**
Carrying amount			
At December 31, 2014	**$ 107,214**	**$ 5,625**	**$ 112,839**
At December 31,2015	**$ 148,515**	**$ 3,696**	**$ 152,211**

At December 31, 2015 the carrying amount of leased assets was $16,347 (2014: $16,347).

15. Accounts payable and accrued liabilities

	December 31, 2015	December 31, 2014
Accounts payable	$ 101,551	$ 22,657
Accrued expenditures	680,499	102,183
Payroll taxes and GST payable	97,307	62,859
Other liabilities	2,824	91,847
Total	**$ 882,181**	**$ 279,546**

16. Dividend payable

	December 31, 2015	December 31, 2014
December 2015 declared dividend	**$ 587,448**	**$ -**

17. Finance lease liability

	December 31, 2015			December 31, 2014		
	Minimum lease payments	Interest	Net liability	Minimum lease payments	Interest	Net liability
Less than one year	$ 4,092	$ 926	$ 3,166	$ 5,286	$ 1,538	$ 3,748
Between one and five years	12,276	1,650	10,626	15,345	2,746	12,599
Total	**$ 16,368**	**$ 2,576**	**$ 13,792**	**$ 20,631**	**$ 4,284**	**$ 16,347**

18. Income taxes

(a) Amounts recognized in statements of comprehensive income/(loss)

	Year ended December 31, 2015	Year ended December 31, 2014
Current income tax expense – current year	$ 2,138,125	$ 99,613
Deferred tax (income)/expense		
Deferred tax (income) – prior year	(41,363)	-
Origination and reversal of temporary differences	(211,935)	(155,740)
Total income taxes expense (recovery)	**$ 1,884,827**	**$ (56,127)**

In Canadian dollars, for the year ended December 31, 2015

(b) Amounts recognized directly in equity

	Year ended December 31, 2015	Year ended December 31, 2014
Equity component of convertible debenture	$ -	$ (201,483)
Issuance cost for special warrants and common shares	528,492	254,629
Total income taxes directly recognized in equity	**$ 528,492**	**$ 53,146**

(c) Reconciliation of effective tax rate

		Year ended December 31, 2015		Year ended December 31, 2014
Profit/(Loss) before tax		**$ 7,052,113**		**$ (3,513,887)**
Tax at the combined Canadian federal and provincial statutory tax rate	26.50%	1,868,810	26.50%	(931,180)
Under provision of deferred tax provision in prior years	-	(41,363)	-	-
Tax cost of non-deductible expenses	0.82%	57,380	(24.65)%	866,174
Recognition of tax effect of previously unrecognized tax losses	-	-	0.66%	(23,273)
Tax cost of origination and reversal of temporary differences	-	-	(0.92)%	32,152
Incomes taxes recognized in statements of comprehensive Income (Loss) and effective tax rate	**27.32%**	**$ 1,884,827**	**1.59%**	**$ (56,127)**

(d) Movement in deferred tax balances

The Company has established, based on the financial performance during the latter periods of the financial year that it is probable that the Company will have future taxable income. As a result, the Company recognized a deferred tax asset for temporary differences existing at December 31, 2014. The composition of the deferred tax asset at December 31, 2015 and December 31, 2014 was made up as follows:

Amounts recognized in statement of comprehensive income (loss)	**December 31, 2015**	**December 31, 2014**
Transaction costs on common shares issue and convertible debenture	$ (182,590)	$ (81,753)
Property and equipment	7,372	880
Tax losses carried forward	59,938	70,241
RTO expense	114,967	110,226
Unrealized gain on foreign exchange differences	(1,124,679)	-
Unrealized loss on changes in fair values	1,615,318	-
Other temporary differences	(96,892)	56,145
	393,434	**155,739**
Amounts recognized in equity		
Equity component of convertible debenture	(201,483)	(201,483)
Issuance cost for special warrants and common shares	783,121	254,629
	581,638	**53,146**
Balance at December 31, 2015 and December 31, 2014	**$ 975,072**	**$ 208,885**

The effective tax rate used in determining the value of the deferred tax asset was 26.50%. There was no unrecognized deferred tax asset or liability at December 31, 2015 and December 31, 2014.

19. Convertible debentures

On July 10, 2014 and July 17, 2014, the Company closed an offering for convertible unsecured subordinated debentures (the "**Debentures**"), for an aggregate gross proceeds of $17,250,000. The issue costs were $1,343,425 resulting in net proceeds of $15,906,575. The Debentures bear interest from the date of issue at 8% per annum, payable semi-annually in arrears on June 30 and December 31 in each year commencing December 31, 2014. The Debentures have a maturity date of December 31, 2019 (the "**Maturity Date**"). The Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Company for redemption of the Debentures into common shares at a conversion price of $0.92 per common share, being a conversion rate of 1,086.9565 common shares for each $1,000 principal amount of Debentures. The Debentures are listed for trading on the TSX Venture Exchange under the symbol GRC.DB.

For accounting purposes, the Debentures are separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 8.96% for the Debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the Debentures and the fair value of the liability component.

The Debentures are direct, unsecured obligations of the Company, subordinated to other indebtedness of the Company for borrowed money and ranking equally with all other unsecured subordinated indebtedness. The Debentures are not redeemable before December 31, 2017. On or after December 31, 2017, but prior to the Maturity Date, the Company may, at its option, redeem the Debentures, in whole or in part, at a price equal to the principal amount of the Debentures plus all accrued and unpaid interest up to but excluding the date of redemption.

The following table summarizes the outstanding balance and changes in the amounts recognized in the liability and equity during the period:

In Canadian dollars, for the year ended December 31, 2015

Principal		
Balance at December 31, 2015 and December 31, 2014	**$**	**17,250,000**
Liability		
Gross proceeds	$	17,250,000
Issue costs		(1,343,425)
Equity component less issue costs allocated		(760,314)
Liability component initially recognized		15,146,261
Accretion of finance expense for the period from July 10, 2014 to December 31, 2014		136,414
Balance at December 31, 2014		**15,282,675**
Accretion of finance expense for the year ended December 31, 2015		312,562
Balance at December 31, 2015	**$**	15**,595,237**

Equity		
Equity component initially recognized	$	760,314
Deferred tax liability recognized		(201,483)
Balance at December 31, 2015 and December 31, 2014	**$**	**558,831**

The financing expense amounts that were recognized in the statement of comprehensive income (loss) was made up as follows:

		Year ended December 31, 2015		Year ended December 31, 2014
Interest expense on convertible debentures	$	1,380,000	$	661,644
Accretion of finance expense for the period		312,562		136,414
Total	**$**	**1,692,562**	**$**	**798,058**

20. Share capital and other components of equity

Common shares

The authorized share capital of the Company consists of an unlimited number of voting common shares without par value. The issued and outstanding common shares at December 31, 2015 were 100,762,965 (December 31, 2014: 59,410,419). The following was the movement in the number of issued common shares on the date of the RTO:

19,321,106 new common shares were exchanged for 28,046,338 existing common shares of the Company (**Note 7**)	(8,725,232)
19,948,750 common shares were issued to the shareholders of Grenville Ontario **(Note 7**)	19,948,750
Total	**11,223,518**

On February 26, 2015 and May 7, 2015, 19,828,300 and 17,250,000 common shares were issued at a price of $0.58 and $0.80 per common share respectively and the proceeds received net of issuance costs was $23,306,104. During the year ended December 31, 2015, common shares were issued and proceeds of $1,764,403 (2014: $54,137) were received as a result of share warrants and stock options being exercised. $412,165 was transferred from the amount recognized for share warrants into share capital following the exercise of the share warrants. For the stock options exercised, $95,675 was transferred from contributed surplus into share capital.

Special warrants

20,000,000 special warrants were issued on March 27, 2014 on a "bought deal" private placement basis at a price of $0.50 per special warrant for aggregate gross proceeds of $10,000,000. The issuing costs of the special warrants were $770,250.

Each special warrant was exercisable by the holder into one common share of the Company. Any unexercised special warrants were deemed to be exercised, with no further action on the part of the holder, on May 15, 2014 which was the third business day after the date on which receipt for a final prospectus had been issued by applicable securities regulators.

In Canadian dollars, for the year ended December 31, 2015

Share warrants

The details of the share warrants outstanding at December 31, 2015 and December 31, 2014 respectively were:

Number of Warrants outstanding	Fair value of warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
5,718,477	618,068	$0.42	February 19, 2016	0.13

Number of Warrants outstanding	Fair value of warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
9,532,473	1,030,233	$0.42	February 19, 2016	1.12

As part of the RTO **(Note 7),** 9,660,538 share warrants with an expiry date of February 19, 2016 were issued at an exercise price of $0.42 per warrant with a fair value of $1,044,074. During the year ended December 31, 2015, warrants were exercised and the Company received proceeds of $1,601,878 and $412,165 was transferred from the amount recognized for the fair value of the share warrants into share capital following the exercise of the share warrants.

Each share warrant is convertible into one common share of the Company. The fair value of the share warrants at the date of issue was estimated at the date of issue using the Black-Scholes Option Pricing Model using the following assumptions:

Expected stock price volatility	35.45%
Expected life in years	2.00
Risk free interest rate	1.00%
Expected dividend yield	0.0%
Weighted average fair value per warrant granted	$ 0.1081

Between January 1, 2016 and the expiry date of the share warrants, 5,443,456 warrants were exercised and proceeds of $2,286,252 were received from the common shares raised.

Stock options

The purpose of the Company's stock option plan ("the "Plan") is to develop the interest of and provide an incentive to eligible employees, directors and consultants of the Company and its affiliates. The Plan provides for the issuance of a maximum of 10% of the issued and outstanding common shares. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

During the year ended December 31, 2015, 460,250 stock options were exercised and the Company received proceeds of $162,525 and $95,675 was transferred from contributed surplus into share capital. 2,915,000, 1,500,000 and 300,000 options were granted on May 25, 2015, July 10, 2015 and September 21, 2015 respectively. The details of the options outstanding at December 31, 2015 (December 31, 2014: 3,364,790) were:

Issue Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
February 19, 2014	72,371	72,371	$0.42	February 19, 2016	0.13
February 19, 2014	124,117	124,117	$0.87	February 19, 2016	0.13
February 19, 2014	297,667	297,667	$0.58	June 13, 2017	1.46
February 19, 2014	68,955	68,955	$0.51	March 13, 2018	2.21
February 19, 2014	237,999	59,434	$0.028	August 1, 2018	2.58
April 3, 2014	1,645,000	822,500	$0.50	April 3, 2019	3.25
May 26, 2014	465,000	232,500	$0.52	May 26, 2019	3.42
May 25, 2015	2,915,000	50,000	$0.88	May 25, 2020	4.40
July 10, 2015	1,500,000	-	$0.87	July 10, 2020	4.53
September 21, 2015	300,000	-	$0.64	September 21, 2020	4.72
Total	**7,626,109**	**1,727,544**			
Weighted average exercise price	**$ 0.7185**	**$ 0.5349**		**Weighted average remaining contractual life**	**3.83**

In Canadian dollars, for the year ended December 31, 2015

Share-based payments

The Company uses the Black-Scholes option pricing model to calculate the fair value of any options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. For the expected stock price volatility estimate, the business activities changed significantly following the RTO and as a result, the volatility percentage was based on the historical volatility for the same term as the contractual life of the option, of publicly-listed entities with a similar type of business. Changes in assumptions can materially affect estimates of fair values. The following weighted average assumptions were used to estimate the weighted average grant date fair value:

Assumptions	
Expected stock price volatility	36.34%
Expected life in years	4.87
Risk free interest rate	1.22%
Expected dividend yield	3.61%
Weighted average fair value per option granted	$0.1645

21. Revenues

Classification applicable from January 1, 2015

Royalty agreements acquired		**Year ended December 31, 2015**
Royalty payment income	$	8,274,301
Realized/unrealized foreign exchange gains **(Note 26)**		3,548,686
Realized gains from changes in fair value		4,550,099
Unrealized loss from changes in fair value		(4,816,323)
Total	**$**	**11,556,763**

Promissory notes receivable		**Year ended December 31, 2015**
Interest income	$	170,945
Realized/unrealized foreign exchange gains **(Note 26)**		150,564
Realized/unrealized gains from changes in fair value		48,534
Total	**$**	**370,043**

Other interest income		**Year ended December 31, 2015**
Interest income on invested cash and cash equivalents	**$**	**200,373**

22. Other income

Classification applicable before January 1, 2015

		Year ended December 31, 2014
Interest income on invested cash and cash equivalents	$	128,374
Unrealized gain on royalty agreements acquired		120,280
Interest received on tax refunds		2,156
Total	**$**	**250,810**

The unrealized gain on royalty agreements acquired relates to the adjustment to the amortized cost of one investment as a result of revising the estimated cash flows and which in accordance with AG8 of IAS 39 *Financial Instruments recognition and measurement* was recognized as income in the statement of comprehensive income (loss).

23. Operating expenses

		Year ended December 31, 2015		**Year ended December 31, 2014**
Salaries, benefits and other costs (**Note 24**)	$	1,803,973	$	1,091,680
Management and facility fees		156,647		163,138
Share based payments (**Note 25**)		211,754		2,865,362
Professional fees		782,090		853,909

In Canadian dollars, for the year ended December 31, 2015

Office and general administrative	425,631	380,320
Foreign exchange loss (gain), net **(Note 26)**	2,409	(693,789)
Total	**$ 3,382,504**	$ **4,660,620**

24. Employee benefit expense

	Year ended December 31, 2015	Year ended December 31, 2014
Wages and salaries	$ 1,595,725	$ 647,188
Other benefits	17,607	8,635
Termination benefits	40,000	400,000
Recruitment expense	99,733	-
Employer related costs for insurance, health tax and pension contribution	50,908	35,857
Salaries, benefits and other staffing costs	**1,803,973**	**1,091,680**
Share based payment **(Note 25)**	211,754	214,046
Total	**$ 2,015,727**	**$ 1,305,726**

25. Share-based payments

The amounts recognized in the statement of comprehensive income (loss) were made up as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
RTO transaction expense **(Note 7)**	$ -	$ 2,651,316
Expense recognized for services provided based on vesting conditions of stock options **(Note 24)**	211,754	214,046
Total expense recognized in comprehensive loss	**$ 211,754**	**$ 2,865,362**

26. Foreign exchange gain, net

	Year ended December 31, 2015	Year ended December 31, 2014
Unrealized foreign exchange gain	$ 2,986,704	$ 699,600
Realized foreign exchange gain (loss)	710,137	(5,811)
Total	**$ 3,696,841**	**$ 693,789**

In the statement of comprehensive income (loss) the foreign exchange gain was recognized under the following captions:

	Year ended December 31, 2015	Year ended December 31, 2014
Revenues –royalty agreements acquired	$ 3,548,686	$ -
Revenues – promissory notes receivable	150,564	-
Operating expenses **(Note 23)**	(2,409)	693,789
Total	**$ 3,696,841**	**$ 693,789**

27. Earnings / (Loss) per share

The following reflects the profit, loss and unit data used in the basic and diluted earnings per share computations:

	Year ended December 31, 2015	Year ended December 31, 2014
Profit/(loss) attributable to ordinary equity holders for basic earnings /(loss) per share	**$** 5,167,286	**$** (3,457,760)
Financing expense (**Note 19**) less income tax at 26.5%	1,244,033	586,573
Profit/(loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	6,411,319	(2,871,187)
Basic weighted average number of shares outstanding	89,390,448	49,369,201
Diluted weighted average number of shares outstanding	119,808,350	63,212,922

In Canadian dollars, for the year ended December 31, 2015

Due to the anti-dilutive impact, the same net loss attributable to ordinary equity holders and weighted average number of common shares have been used for both the basic and diluted earnings and loss calculations for the year ended December 31, 2014.

As stated under Note 4, the Company has adopted IFRS 9 starting January 1, 2015 and has elected not to restate the results for the year ended December 31, 2014.

28. Operating segment information

For management purposes, the Company activities are managed and monitored by senior management as one operating segment. The financial statements included are the same financial statements that management uses to monitor the performance of the Company.

Entity-wide information

All of the Company's reported revenue is from external customers. For the year ended December 31, 2015 the breakdown of the recognized revenue by country was:

	Year ended December 31, 2015	Year ended December 31, 2014
Canada	$ 6,326,888	$ 1,539,130
United States	5,801,291	1,405,661
Totals	**$ 12,128,179**	**$ 2,944,791**

The breakdown of reported revenue excluding interest income on cash and cash equivalents and interest received on tax refunds of $200,373 (2014: $130,531) by each economic factor segment was:

	Year ended December 31, 2015	Year ended December 31, 2014
Cyclical	$ (2,796,276)	$ 763,398
Neutral	6,409,130	831,242
Defensive	8,313,952	1,219,620
Totals	**$ 11,926,806**	**$ 2,814,260**

For the year ended December 31, 2015, the royalty payment income and the interest income on loans for 1 (2014: 1) investee is greater than 10% of the total. All non-current assets are located in Canada. For this purpose, non-current assets exclude all financial instruments and deferred tax.

29. Changes in non-cash operating working capital items

	Year ended December 31, 2015	Year ended December 31, 2014
Accrued interest and royalty payment receivable	$ (801,136)	$ (464,062)
GST receivable	267,705	(101,669)
Prepaid expense	10,112	425,666
Accounts payable and accrued liabilities	619,962	68,831
Net assets acquired net of cash and cash equivalents under the Reverse Take-over (**Note 6**)	-	315,899
Total changes in non-cash operating working capital items	**$ 96,643**	**$ 244,665**

30. Commitments

Operating leases – minimum lease payments under non-cancellable leases

	December 31, 2015	December 31, 2014
Less than one year	$ 152,148	$ 152,148
Between one and five years	127,015	279,433
Total	**$ 279,163**	**$ 431,581**

31. Events after the reporting period

Dividends

The board of directors since December 31, 2015 declared dividends as follows:

Dates	**Dividend per share**	**Dividend paid/payable**
Declared January 10, 2016 and paid on February 16, 2016	$ 0.00583	$ 602,592
Declared February 10, 2016 and paid on March 15, 2016	0.00583	619,515
Declared March 15, 2016 and paid on April 15, 2016	0.00583	619,515

In Canadian dollars, for the year ended December 31, 2015

The board of directors declared on April 14, 2016 a dividend of $0.00583 per share payable on May 16, 2016 to shareholders of record on April 29, 2016.

Follow-on investments

Since December 31, 2015 the Company has invested a further $5,801,169 into existing investees. The most significant follow-on investment was for $2,944,385 into one investee, Compression/Generation Services LLC ("CompGen"). The aggregate investment in CompGen is the Company's largest investment and represents 13.2% of the deployed capital as at the date the financial statements were approved.

32. Related party disclosures

A management agreement ("Agreement") existed between the Company and a company controlled by one of the Directors of the Company during the year ended December 31, 2014. The base fee for the Agreement's services was set at the rate of $10,000 per month (the "Base Fees") plus applicable HST, together with any such increments as the Company may from time-to-time determine. The Agreement expired on December 31, 2014. The Company continued to settle certain outstanding obligations totalling $24,356 between January 2015 and May 2015 which were accrued in the prior year. For the year ended December 31, 2014, the Company recognized as an expense $144,356 under the Agreement and no expense was recognized for the year ended December 31, 2015.

Key management personnel

	Year ended December 31, 2015	Year ended December 31, 2014
Short term employee benefits	$ 1,185,637	$ 484,070
Share-based payments	145,231	188,803
Consultancy fees	153,750	103,125
Severance payment	-	400,000
Total	**$ 1,484,618**	**$ 1,175,998**

The number of key management personnel are 9 (2014: 8) and are identified as the members of the board of directors and the officers of the Company.